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## **San Diego County Charged with Highest Aggregate Prices in the State**

As local sand and gravel production dwindles, area projects are also hit by rising fuel costs for imported construction materials

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With an increasing reliance on sand and gravel supplies from outside the region, construction aggregates cost more in San Diego County than anywhere else in the state.

Nearby quarries are closing, and the permitting process for new mining operations is not keeping pace with demand. Meanwhile, contractors are getting sand and gravel from sites farther and farther away, adding diesel fuel costs to aggregate prices.

According to the state Department of Conservation's California Geological Survey from 2006, western San Diego County has 198 million tons of aggregate reserves remaining out of the 1.16 billion tons needed for the next 50 years. That would amount to a 10-year supply if contractors in the region only used aggregates from San Diego-area quarries.

While San Diego County is not alone in its short supply of local resources, contractors still pay more than they would for projects in other areas of the state.

The California Geological Survey found that North San Francisco Bay, Sacramento County, northern Tulare County and Fresno have less than a 10-year supply of aggregates remaining locally. San Fernando Valley, Stanislaus County, El Dorado County and Glenn County are not far behind.

"The bottom line is that we're continuing to see a decline of aggregates available in San Diego County - 40 years ago we had 48 sites, and today we're down to 12 sites," said Gary Gallegos, executive director of the San Diego Association of Governments, the agency overseeing transportation planning and funding in the region.

"It hits us in the area of transportation infrastructure, whether it's a road or rail lines that we're building," Gallegos said.

Low supply and high demand is forcing projects in San Diego County to use aggregates shipped to the region from Mexico through the San Diego Unified Port District's 10th Avenue Marine Terminal. Via truck, aggregates are coming from Riverside and Imperial counties and sometimes from as far north as Los Angeles County.

"Today, it costs us around \$40 per cubic meter for aggregate," Gallegos said. "Statewide, the numbers are more in the area of \$22 per cubic meter."

The California Geological Survey reported that San Diego had the highest aggregate prices in the state in 2006 at \$20 to \$22 per ton for sand and \$15 per ton for gravel.

The survey found that for every 30 miles that aggregates were trucked to a site, prices increased about \$4.50 per ton, which amounted to \$510,000 in extra cost in 2006 for one mile of a six-lane highway. Costs rose even higher in major metropolitan areas where traffic congestion increased the amount of time trucks were on the road.

Transportation costs are a big issue right now, said Crystal Howard of San Diego-based EnviroMine Inc., a consulting firm that specializes in mine permitting and resource evaluation.

The price of diesel fuel in California is reaching above \$4.50 in California, according to the Energy Information Administration under the U.S. Department of Energy.

"The aggregates we're bringing in are coming from an average of 90 miles away and up to 110 miles away," Howard said.

### **More Demand, Fewer Resources**

Current aggregate demand in San Diego County, according to EnviroMine, is about 16 million tons per year and rising, but local aggregate production is about 10 million tons, with mining only expected to decrease during the next two decades.

In the Mission Valley area of central San Diego, a 230-acre sand and gravel quarry operated by **Vulcan Materials Co.** and mined since the 1930s is scheduled to shut down at the end of 2010. The quarry processes 1.5 million tons of rock each year and produces 708,000 tons of finished product.

The family who owns the quarry plans to sell it to San Diego-based **Sudberry Properties Inc.**, which will redevelop the site as Quarry Falls, a master-planned community with housing, retail, offices, parks and open space. Vulcan will operate a concrete and asphalt plant on the east end of the site for 12 years.

San Diego County has eight quarries scheduled to close by 2012 and four quarries closing by 2030, leaving five quarries open after 2030, not counting two proposed quarries in southwest Riverside County and in Otay Mesa along the U.S.-Mexico border.

The quarry planned by **Superior Ready Mix** in Otay Mesa has taken seven years to get a permit and the process is ongoing. It took 18 years for **Granite Construction Inc.** to get a permit for its new Rosemary's Mountain Quarry in northeast San Diego County, which is expected to be fully operational in 2011.

Warren Coalson, president of EnviroMine, said five years should be a reasonable amount of time to review and authorize permits for a quarry.

In addition to streamlining the permitting process, Coalson suggested that the county should designate Mineral Resource Reserve Areas in its general plan and require developers who build on property with mineral resources to buy land

elsewhere that offsets their impact on the local supply of aggregates, similar to the requirements for open space in the region's Multiple Species Conservation Plan.

For instance, Merriam Mountains, a 2,327-acre residential development west of Interstate 15 and north of Deer Springs Road near the North County cities of Escondido and San Marcos, will dedicate 1,729 acres to open space.

"If the project is approved, access to 700 acres of quality aggregate product is gone forever," Coalson said. "If you could mine that area, you'd probably have a 200-year supply."

San Diego-based **H.G. Fenton Co.**, a real estate development and investment firm that got its start in the quarry business, tried to permit a mining business called Sycamore Ridge at the Merriam Mountains site in the 1990s, but opponents to the project defeated the sand and gravel mine.

### **Preserving Resources**

Devon Muto, project manager for San Diego County's general plan, said planners are looking at where new quarries might be in the county's unincorporated areas.

"We will have protections for areas that have been mapped," Muto said. "We will have policies and most likely a map that provides for protections in those zones."

Policies aimed at protecting aggregate resources may include lower development densities on potential quarry sites to discourage development. Construction on those sites also may require additional review by the county's planning department and state officials.

Planners still are drafting the policies. The county's general plan is scheduled to be considered for approval by the county board of supervisors in fall 2010.

The San Diego Association of Governments is seeking grant dollars from the California Department of Transportation to fund an extensive mapping program that will identify where aggregate sources might be left in San Diego County. SANDAG planners will determine which sites are viable based on the region's open space program and city and county general plans.

"We're buying property we're hoping to put in place for open space preserves," said Gallegos of SANDAG. "We may be able to still do that, but first mine it for aggregates the county needs to keep the economy going."

SANDAG also is working with the San Diego Unified Port District to identify ways for rock and sand to make it through the port in a more expeditious manner.

And in a program already under way, contractors on local highway construction projects are recycling as much concrete and asphalt as they can. The extension of managed commuter lanes on Interstate 15 north through San Diego is one of biggest recycling projects in the state, where the contractor is reusing recycled material for road base.

"Ultimately, the [quarry] permitting is up to the county and that's why the mapping process is the first start," Gallegos said. "We do plan to work with the county to look at where the opportunity is."

### **A New Quarry**

Along the San Diego County line in southwest Riverside County, Granite Construction has been working for three years on obtaining a permit for the Liberty

Quarry. Access to the site from Interstate 15 is in San Diego County, but the actual quarry operation will be in Riverside County.

Gary Johnson, aggregate resource development manager for Granite Construction, said Riverside County is preparing the draft environmental-impact report and the document is expected to be out for public review in the next couple of months. After public comments are collected and public hearings take place, the quarry operator hopes to have a permit approved in spring 2009.

"We think the reports clearly show the need for the project and the lack of impact," Johnson said. "The biggest challenge is getting the information out to people so they are understanding the facts. Once they see the facts, the need for the project and the lack of impact is clear."

Ken Simonson, chief economist for the **Associated General Contractors** in Washington, D.C., said it has gotten increasingly difficult for aggregate producers everywhere to expand quarries or build new mines, but the problem is most acute in Southern California.

"I have never met anyone who wants to have a quarry in their backyard, so I don't see the situation changing anytime soon," Simonson said.

Complaints about Liberty Quarry relate to dust, noise and traffic. However, Johnson said those issues are overseen by a number of agencies that regulate air and water quality, conflicts with surrounding development and fish and wildlife.

"We're adjacent to the 15, so we don't have to drive by schools, hospitals or residential areas," he said. "Right now, trucks from Banning, Beaumont and Irwindale are coming into this area."

According to Granite Construction, Liberty Quarry will remove 449 trucks per day from Interstate 15 in Temecula headed south to San Diego County along with 1,063 trucks driving through Murrieta and 1,217 trucks through Lake Elsinore.

### **Watching Prices**

Ted Bumgardner, principal and vice president at San Diego-based construction management firm **Gafcon Inc.**, said the low supply of aggregates locally has had more of an impact on grading contractors and road construction companies than on firms that construct buildings because of the drop off in homebuilding and the less dramatic slowdown in commercial construction.

According to the U.S. Bureau of Labor Statistics' producer price index, concrete products increased nationally only 3.4 percent from April 2007 to April 2008, but prices have risen 35.7 percent since Dec. 2003. As of April, steel prices increased 85.3 percent since the end of 2003 and 10.2 percent from April 2007.

Bumgardner said prices for ready-mix concrete haven't gone up in a year in San Diego, but he anticipates rising prices as more aggregates are trucked into the region from farther distances as the price of diesel fuel skyrockets.

The national producer price index for diesel fuel increased 53.4 percent from April 2007 to April 2008 and 272.2 percent between April and Dec. 2003.

Gafcon is in the middle of a cost-forecasting project for the 1,347-acre Great Park at the former 4,700-acre Marine Corps Air Station El Toro in Irvine. Bumgardner said there are concerns about the price of aggregates, so the mission at Great Park is to recycle the old runways and any other material left at El Toro.

"A significant amount of the construction cost is tied up in transportation; there's a lot of trucking and freight involved in building a building," Bumgardner said. "I'm shocked we're not seeing more increases than we are right now."

He was on a construction site recently meeting with a grading contractor who says he's looking hard at the location of his projects because of the fuel costs for moving people and machinery from one site to the next.

While the slower construction market won't allow contractors to increase prices to cover fuel costs right now, higher prices may be on the horizon.

"Contractors can only be squeezed for a while and they can only stand to hold their breath for so long," Bumgardner said. "We will see this fuel thing come up in construction costs."

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